



You Haven't Missed the Boat!

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Coulda, woulda, shoulda: three self-recriminations that will kill you in this bull cycle.

You could've bought **Starbucks** (SBUX) last year at \$8; now its \$23. If you would've bought **Bank of America** (BAC) anywhere near its \$2.53 low -- heck, if you had bought at three times the low -- then you would be feeling pretty smug right now with the stock at \$15. And you should've backed up the truck on **Goldman Sachs** (GS) in the neighborhood of its \$59 low, and **General Electric** (GE) when it was below \$6. Knowing what you should've done, its grating to see Goldman trading at \$155 and GE at \$16.

For the rest of this cycle -- for that matter, for the rest of your life -- stop gnawing away at the lows you missed during the recent mega-bear market. It'll only get you in trouble; it might even cost you a lot of money. For example, you might take a pass on a stock such as **Terex** (TEX) because this infrastructure equipment-maker has already soared threefold from its bear-market low. You'll surely avoid a stock such as **Manitowoc** (MTW), up fivefold from its low 10 months ago. It's illogical to think these stocks can still be bargains -- not after running so far, so fast.

But they are bargains, screaming bargains! And I'm going to show you how to see it.

Context is everything, and it's certainly true for stocks such as Terex and Manitowoc. Rather than focus on their bear-market lows, compare their current levels with where they were trading back in 2007, before the bear struck. Terex's vault from a low of \$7 to its current \$21 won't scare you away when you consider its \$96 perch in 2007. As for Manitowoc, even at fivefold from its lows, this \$11.56 stock doesn't look so expensive compared with its pre-bear \$49 high.

To be sure, that before-the-fall stock price tells you zip about today's value. The fact that Manitowoc traded at \$49 in a healthy economy doesn't mean it's worth \$49 today. But digging into those pre-bear market prices can yield tangible benefits. To wit, they can provide perspective and counterbalance the fear and loathing of the bear market. Also, those pre-crisis price levels, which were achieved in a relatively calm environment, deserve their due.

The most important reason to check pre-bear market price levels: It facilitates bargain-hunting. Applied to Terex, for example, the 2007 stock level begs the question: Was it reasonably priced trading in the \$90's? How much value did the bear market destroy? How likely is a Terex recovery to 2007 operating levels, and when will it happen?

Answer those questions and, if your analysis is anything like mine, you'll conclude Terex is still an incredible opportunity. While business is off substantially from pre-recession levels, the end-market demand for Terex products is strong. Chances are good that Terex will approach 2007 levels in about three years. By my calculations, that would justify a stock price in the \$70s or \$80s. Contrast that with the current \$21 -- while giving no credence to \$7 bear-market low -- and you can see why Terex is an exceptional opportunity.

Before this bull market is over, a significant percentage of stocks will have nearly or completely recovered to their pre-bear price levels. So far, what's remarkable is how wide the variation in the pace of those recoveries.

Of the stocks I've recommended, for example, **Expedia** (EXPE) and **CarMax** (KMX) recovered at warp-speed; their bear/bull return trips took all of six months from the market low. It should come as no surprise that they've since stalled. But they still stand in stark contrast to Terex and Manitowoc, which I also recommended in earlier columns. The latter two's gains have been quite good, but they remain in the early stages of their respective rebounds.

Implicit in the different pace of stocks' recovery is another key to this cycle: Prudent money management counts much more than stock selection. The biggest returns will inure to investors who harvest profit from stocks that have rebounded, and plough it back into stocks that have yet to bear fruit.

At time of publication, Alsin and/or ACM was long BAC, GE, GS, MTW and TEX, although holdings can change at any time.

Arne Alsin is the founder and principal of Alsin Capital Management, a California-based investment adviser. Under no circumstances does the information in this column represent a recommendation to buy or sell stocks. Alsin appreciates your feedback; [click here](#) to send him an email.
